



The United Arab Emirates (UAE): Issues for U.S. Policy

Kenneth Katzman

Specialist in Middle Eastern Affairs

December 7, 2010

Congressional Research Service

7-5700

www.crs.gov

RS21852

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 07 DEC 2010		2. REPORT TYPE		3. DATES COVERED 00-00-2010 to 00-00-2010	
4. TITLE AND SUBTITLE The United Arab Emirates (UAE): Issues for U.S. Policy				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service, The Library of Congress, 101 Independence Avenue SE, Washington, DC, 20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 17	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Summary

The UAE's relatively open borders, economy, and society have won praise from advocates of expanded freedoms in the Middle East while producing financial excesses, social ills such as prostitution and human trafficking, and relatively lax controls on sensitive technologies acquired from the West. These concerns—as well as concerns about the UAE oversight and management of a complex and technically advanced initiative such as a nuclear power program—underscored dissatisfaction among some members of Congress with a U.S.-UAE civilian nuclear cooperation agreement. The agreement was signed on May 21, 2009, and submitted to Congress that day. It entered into force on December 17, 2009. However, U.S. concerns about potential leakage of U.S. and other advanced technologies through the UAE to Iran, in particular, are far from alleviated.

Despite its social tolerance and economic freedom, the UAE government is authoritarian, although with substantial informal citizen participation and consensus-building. Assessments by a wide range of observers say that members of the elite (the ruling families of the seven emirates and clans allied with them) routinely obtain favored treatment in court cases, obtain access to lucrative business opportunities, and exert preponderant influence on national decisions. The UAE federation president, Shaykh Khalifa bin Zayid al-Nuhayyan, technically serves a five-year term, renewable by the Federal Supreme Council (composed of the seven heads of the individual emirates), although in practice leadership changes have generally taken place only after the death of a leader. After several years of resisting electoral processes similar to those instituted by other Gulf states, and despite an absence of popular pressure for elections, the UAE undertook its first electoral process in December 2006. The process was criticized as far from instituting Western-style democratic processes, because the electorate was limited and selected by the government, and it voted for only half of the membership of a body with limited powers. The other half of the body continues to be appointed.

Partly because of substantial UAE federal government financial intervention and ample financial reserves, the political and social climate remained calm through the 2008-2009 global financial crisis and recession. The downturn hit Dubai emirate particularly hard and called into question its strategy of rapid, investment-fueled development, especially of luxury projects. Many expatriate workers left UAE after widespread layoffs, particularly in the financial and real estate sectors, and the decline affected property investors and the economies of several neighboring countries, including Afghanistan.

For details and analysis of the U.S.-UAE nuclear agreement and legislation concerning that agreement, see CRS Report R40344, *The United Arab Emirates Nuclear Program and Proposed U.S. Nuclear Cooperation*, by Christopher M. Blanchard and Paul K. Kerr.

Contents

Governance, Human Rights, and Reform.....	1
Status of Political Reform	3
Human Rights-Related Issues.....	4
Press Freedoms	4
Justice/Rule of Law.....	5
Women’s Rights	5
Religious Freedom	5
Labor Rights	5
Human Trafficking.....	6
Cooperation Against Terrorism and Proliferation	6
Record on Proliferation Cooperation	7
Nuclear Agreement	8
Foreign Policy and Defense Cooperation With the United States	8
Security Cooperation With the United States	9
Relations With Iran	9
Cooperation on Iraq	10
Cooperation on Afghanistan and Pakistan.....	11
U.S. and Other Arms Sales	11
UAE Provision of Foreign Aid	12
Other Regional Issues	12
Economic Issues	13

Figures

Figure 1. Map of United Arab Emirates	3
---	---

Tables

Table 1. Recent U.S. Aid to UAE	14
---------------------------------------	----

Contacts

Author Contact Information	14
----------------------------------	----

Governance, Human Rights, and Reform¹

The United Arab Emirates (UAE) is a federation of seven emirates (principalities): Abu Dhabi, the oil-rich capital of the federation; Dubai, its free-trading commercial hub; and the five smaller and less wealthy emirates of Sharjah, Ajman, Fujayrah, Umm al-Qaywayn, and Ras al-Khaymah. After Britain announced in 1968 that it would no longer ensure security in the Gulf, six “Trucial States” decided to form the UAE federation in December 1971; Ras al-Khaymah joined in 1972. The UAE federation has completed a major leadership transition since the death of its key founder, Shaykh Zayid bin Sultan Al Nuhayyan, long-time ruler of Abu Dhabi and UAE president, on November 2, 2004.

His son, Crown Prince Shaykh Khalifa bin Zayid al-Nuhayyan, born in 1948, was named ruler of Abu Dhabi and, keeping with tradition, was subsequently selected by all seven emirates (Federal Supreme Council) as UAE president. The third son of Zayid, Shaykh Mohammad bin Zayid al-Nuhayyan, is Abu Dhabi crown prince and heir apparent. The ruler of Dubai traditionally serves concurrently as vice president and prime minister of the UAE; that position has been held by Mohammad bin Rashid Al Maktum, architect of Dubai’s modernization drive, since the death of his elder brother Maktum bin Rashid Al Maktum on January 5, 2006. Shaykh Mohammad bin Rashid also continued as defense minister. The crown prince of Dubai is his son, Hamdan bin Mohammad Al Maktum, who heads the “Dubai Executive Committee,” the equivalent of a cabinet for Dubai emirate. Under a Dubai-level reorganization announced in January 2010, five committees were set up to help the Executive Committee on various major issues.

The federation president and vice president serve five-year terms, but they technically owe their positions to the UAE’s highest body, the Federal Supreme Council, which is composed of the leaders of each of the seven emirates of the UAE. Two emirates, Sharjah and Ras al-Khaymah, have a common ruling family: the Al Qawasim tribe. The Federal Supreme Council meets four times per year to establish general policy guidelines, although the leaders of the seven emirates consult frequently with each other. It met on November 3, 2009, to decide whether Shaykh Khalifa and Shaykh Mohammad would continue in their posts and, as expected, no major changes were made. In practice, posts at that level of UAE leadership change only in the event of death of an incumbent.

A UAE cabinet reshuffle in May 2009 resulted in a change in two new deputy prime ministers, one of whom serves concurrently as interior minister (the lead agency on internal security). The shift was viewed by observers as strengthening the hand of Crown Prince Mohammad bin Zayid because the new deputy prime ministers are close to him, although there are no evident rifts between him and his brother, the UAE president.

¹ Information in this section is from the following State Department reports: Country Reports on Human Rights Practices-2009 (March 11, 2010); Trafficking in Persons Report for 2010 (June 14, 2010); and International Religious Freedom report: 2009 (October 26, 2009).

Some Basic Facts About UAE

Population	4.8 million, of which about 900,000 are citizens. Expatriates are 85% of the work force.
Religions	96% Muslim, of which 16% are Shiite; 4% Christian and Hindu
Ethnic Groups	19% Emirati (citizenry); 23% other Arab and Iranian; 50% South Asian; 8% western and other Asian expatriate
Size of Armed Forces	About 50,000
Gross Domestic Product (purchasing power parity)	\$201 billion; per capita is \$42,000 per year
Inflation Rate	About 14.5%
Oil Exports	About 2.7 million barrels per day
Foreign Exchange and Gold Reserves	About \$67 billion
U.S. Exports to the UAE (2009)	\$12.2 billion, making UAE the largest U.S. export market in the Arab world (2008). Goods sold to UAE are mostly machinery, aircraft, industrial materials, and other high value items.
Imports from UAE by the United States (2009)	\$1.5 billion. About half of the total was crude oil. Other major categories include clothing and diamonds.
U.S. citizens resident in UAE	About 30,000
Major Projects	Dubai inaugurated 2,000+ foot "Burj Khalifa," world's tallest building, on January 4, 2010. Dubai metro has begun operations and is expanding service. Burj al Arab hotel in Dubai bills itself as "world's only 7-star hotel." UAE participating in Gulf country-wide railroad network to become operational by 2017. Abu Dhabi building local branches of Guggenheim and Louvre museums.

Sources: CIA World Factbook.

The leaders of the other individual emirates are Dr. Sultan bin Muhammad Al Qassimi (Sharjah); Saud bin Saqr Al Qassimi, (Ras al-Khaymah, see below); Humaid bin Rashid Al Nuaimi (Ajman); Hamad bin Muhammad Al Sharqi (Fujayrah); and Saud bin Rashid Al-Mu'alla (Umm al-Qaywayn). Shaykh Saud of Umm al-Qaywayn, who is about 57 years old, was named leader of that emirate in January 2009 upon the death of his father, Shaykh Rashid Al-Mu'alla. In Ras al-Khaymah, there was a brief leadership struggle upon the October 27, 2010, death of the ailing longtime ruler, Shaykh Saqr bin Mohammad Al Qassim. He was succeeded by Shaykh Saud bin Saqr, who was the crown prince since 2003 when the ruler replaced Saud's elder brother, Shaykh Khalid bin Saqr, as crown prince. During 2003-2010, often using public relations campaigns in the United States and elsewhere, Shaykh Khalid had claimed to remain as crown prince even though the UAE federal government had repeatedly stated that his removal was legitimate and that he held no official position in the UAE. Shaykh Khalid's home in Ras al-Khaymah was surrounded by security forces the night his father died, enforcing the rulership rights of Shaykh Saud.

In part because of its small size, the UAE is one of the wealthiest of the Gulf states, as shown in the table above, and there is little unrest. Islamist movements in UAE, including those linked to the Muslim Brotherhood, are generally non-violent and perform social and relief work. UAE

residents of Iranian origin tend to oppose governmental criticism of Iran, but this community does not constitute an organized opposition to the UAE government.

Figure 1. Map of United Arab Emirates



Source: CRS graphics

Status of Political Reform

Despite or perhaps because of the lack of significant opposition, the UAE has lagged on political reform. UAE leaders long delayed instituting any electoral processes, even as such elections began to expand in the other Gulf states, arguing that elections would inevitably aggravate long dormant schisms among tribes and clans, and potentially cause Islamist factions to become more radical. (Formal political parties are not permitted.) UAE leaders say that UAE citizens are able to express their concerns directly to the leadership through traditional consultative mechanisms, such as the open *majlis* (councils) held by many UAE leaders, including Shaykh Khalifa.

The UAE leadership decided it had fallen too far behind its Gulf neighbors, and, in December 2006, it instituted a limited and controlled electoral process for half of the 40-seat Federal National Council (FNC). The other 20 seats would continue to be appointed. Previously, all 40

members of the FNC were appointed by all seven emirates. The seat distribution of the FNC remains weighted in favor of Abu Dhabi and Dubai (eight seats each). Sharjah and Ras al-Khaymah have six each, and the others have four seats each.

The electorate was to be limited to a “local council,” convened by the rulers of each emirate, numbering 100 persons per FNC seat. So, for example, the Abu Dhabi electoral council would be $100 \times 8 = 800$ electors, and the total UAE-wide electorate would be 4,000 persons. However, the Election Commission approved a slightly larger 6,595-person electorate, or about 160 persons per FNC seat. Of this total, 1,162 electors were women. Out of the total of 452 candidates for the 20 FNC elected seats, there were 65 female candidates. Only one woman was elected (from Abu Dhabi), but another seven women were appointed to the remaining 20 seats. The “election” process was spread over three different days—December 16, 18, and 20, 2006.

UAE plans are to gradually expand the size of the FNC and to broaden its powers, according to the Minister of State for FNC Affairs (also Minister of State for Foreign Affairs) Anwar Gargash. However, no specific expansion of powers or time frames for such expansions have been announced. The FNC can review, but not enact or veto, federal legislation, and it can question, but not impeach, federal cabinet ministers. It has questioned government ministers mostly on economic and social issues. Its sessions are open to the public. According to the State Department, in 2008 the government accepted 80% of the FNC’s recommendations on legislation. Each emirate also has its own consultative council. On the other hand, the State Department human rights report on UAE for 2009 says that in April 2009, the government prohibited the FNC from discussing the economic ramifications for the UAE of the global financial downturn.

Human Rights-Related Issues

The human rights record of the UAE is relatively positive on some issues, but relatively poor on others, according to U.S. and outside assessments. The State Department human rights report for 2009 was somewhat more critical of the UAE than previous years’ reports, asserting that there are unverified reports of torture, government restrictions of freedoms of speech, and lack of judicial independence. Some human rights problems in UAE, such as human trafficking, are caused in part because the government is relatively lax in some cases, not because it is too strict. Political rights and democratization are discussed above; among other specific measures, freedom of assembly is forbidden by law, but in practice small demonstrations on working conditions and some other issues have been tolerated.

The United States has sought to promote democracy, rule of law, and civil society in the Persian Gulf region, including in UAE. Some State Department programs to promote student and women’s political participation, entrepreneurship, legal reform, civil society, independent media, and international trade law compliance are funded by the State Department’s Middle East Partnership Initiative (MEPI). The U.S. Embassy in Abu Dhabi houses a MEPI office/staff that runs the MEPI programs throughout the Gulf region.

Press Freedoms

Some ministerial rank officials are committed to reform, including Foreign Minister Shaykh Abdullah bin Zayid al-Nuhayyan and Minister of State Anwar Gargash, mentioned above. Shaykh Abdullah’s former post of information minister was abolished in 2006 to allow media independence. On the other hand, in April 2009, a new media law drew opposition from some

human rights groups who said it allows for penalties against journalists who personally criticize UAE leaders. Provisions governing media licensing do not clearly articulate the standards the government will apply in approving or denying licenses for media organs to operate. The UAE government says the law does not apply to the “Free Zones” in UAE in which major foreign media organizations operate.

Justice/Rule of Law

Many observers note that justice in UAE is selective. For example, on January 10, 2010, a UAE court acquitted the UAE president’s brother, Shaykh Issa bin Zayid Al Nuhayyan, on charges of torturing an Afghan merchant. He was acquitted even though there was a video available of Shaykh Issa beating the Afghan and driving over his legs with a sport vehicle, and even though three others involved in the incident, all non-royals, were convicted. The UAE court ruled that Shaykh Issa was not liable because he was taking prescription drugs that may have prompted his actions. Others say that arrests of expatriates and non-citizens have increased along with the continuing economic downturn, possibly out of citizen frustration that globalization and dramatic economic expansion have led to bursting of the economic “bubble” in UAE. In 2007, human rights groups criticized the conservative-dominated justice system for threatening to prosecute a 15-year-old French expatriate for homosexuality, a crime in UAE, when he was raped by two UAE men; the UAE men were later sentenced for sexual assault and kidnapping.

Women’s Rights

Progress on women’s political rights has been steady and observers say the UAE is perhaps the only country in the Middle East where expatriate women are fully accepted working in high-paying professions such as finance and banking. There are now four women in the cabinet: Shayha Lubna al-Qassimi, minister of foreign trade and planning; Mariam al-Roumi, minister of social affairs; and two ministers without portfolio—Reem al-Hashimi and Maitha al-Shamsi. Nine women are in the Federal National Council, and seven women serve on the 40-seat consultative council in Sharjah emirate. About 10% of the UAE diplomatic corps is now female; none served prior to 2001. In November 2008, Dubai emirate appointed 10 female public prosecutors. The UAE Air Force has four women fighter pilots.

Religious Freedom

The November 17, 2010, State Department report on international religious freedom repeated the previous year’s assessment that there was “no change” in the status of respect for religious freedom by the government during the reporting period.” The constitution provides for freedom of religion but also declares Islam as the official religion of the country. In practice, non-Muslims in UAE are free to practice their religion; there are 34 Christian churches built on land donated by the ruling families of the various emirates, but there are no Jewish synagogues or Buddhist temples. The Shiite Muslim minority is free to worship and maintain its own mosques, but Shiite mosques receive no government funds and there are no Shiites in top federal posts.

Labor Rights

On several occasions, foreign laborers working on the large, ambitious construction projects in Dubai have conducted strikes to protest poor working conditions and non-payment of wages.

Some of these concerns have been addressed by the Labor Ministry's penalizing of employers, and a process, formulated in June 2008, to have workers' salaries deposited directly in banks.

Human Trafficking

Other social problems might be a result of the relatively open economy of the UAE, particularly in Dubai. The UAE is still considered a "destination country" for women trafficked from Asia and the former Soviet Union. The Trafficking in Persons report for 2010 placed the UAE in "Tier 2"—an upgrade from the "Tier 2: Watch List" placement in 2009. The 2010 upgrade was made on the grounds that the UAE is taking steps to eliminate trafficking in persons, particularly against sex trafficking offenders. The UAE has made progress in curbing trafficking of young boys as camel jockeys; it has repatriated at least 1,050 children out of a suspected 5,000 trafficked for camel racing, provided \$3 million for their care and repatriation, and it now uses robot jockeys at camel races.

Cooperation Against Terrorism and Proliferation

These issues are of particular concern to the United States because of a pattern of lax UAE enforcement of export and border controls, with respect particularly to the leakage of U.S. or other technology to Iran. The relatively small sums of U.S. aid to UAE are generally for programs to improve UAE performance on enforcing export control laws.

The UAE was one of only three countries (Pakistan and Saudi Arabia were the others) to have recognized the Taliban during 1996-2001 as the government of Afghanistan, even though the Taliban was harboring Osama bin Laden and other Al Qaeda leaders during that time. During Taliban rule, the UAE allowed Ariana Afghan airlines to operate direct service, and Al Qaeda activists reportedly spent time there.² Two of the September 11 hijackers were UAE nationals, and they reportedly used UAE-based financial networks in the plot.

Since then, the UAE has been credited in State Department "Country Reports on Terrorism" with assisting in the arrests of senior Al Qaeda operatives;³ denouncing terror attacks; improving border security; prescribing guidance for Friday prayer leaders; investigating suspect financial transactions; criminalizing use of the Internet by terrorist groups, and strengthening its bureaucracy and legal framework to combat terrorism. The UAE Central Bank is credited in the State Department terrorism report for 2008 and 2009 with providing training programs to UAE financial institutions on money laundering and terrorism financing, although actions against informal financial transmittals (*hawala*) require "further vigilance." It was reported in September 2009 that earlier in 2009, UAE security officials had broken up an Al Qaeda plot to blow up targets in Dubai emirate.⁴ In November 2010, the UAE's National Committee to Combat Terrorism announced that the UAE was reviewing a 2004 counterterrorism law to better fight evolving threats and money laundering.

² Department of State. Office of the Coordinator for Counterterrorism. Country Reports on Terrorism 2009. August 5, 2010. CRS conversations with executive branch officials, 1997-2000.

³ "U.S. Embassy to Reopen on Saturday After UAE Threat." *Reuters*, March 26, 2004.

⁴ Lake, Eli and Sarah Carter. "UAE Kept Tight Lid on Disrupted Terror Plot." *Washington Times*, September 17, 2009.

The UAE has signed on to several U.S. efforts to prevent proliferation and terrorism. These include the Container Security Initiative Statement of Principles, aimed at screening U.S.-bound containerized cargo transiting Dubai ports. Under it, three U.S. Customs and Border Protection officers are co-located with the Dubai Customs Intelligence Unit at Port Rashid in Dubai. The program results in about 20 ship inspections per week of U.S.-bound containers, many of them apparently originating in Iran, according to the State Department terrorism report for 2008 (published April 30, 2009). The UAE is a signator to the proliferation Security Initiative, the Megaports Initiative designed to prevent terrorist from using major ports to ship illicit material, and the Customs-Trade Partnership Against Terrorism.

Record on Proliferation Cooperation

The UAE record on preventing the re-export of advanced technology, particularly to Iran, is mixed, although said to be improving as of mid-2010. Taking advantage of geographic proximity and the high volume of Iran-Dubai trade (\$10 billion per year), numerous Iranian entities involved in Iran's energy sector and its WMD programs have offices in the UAE that are used to try to procure needed technology and equipment. However, the UAE has enhanced its cooperation at times when U.S. officials or outside experts have questioned its performance. In connection with revelations of illicit sales of nuclear technology to Iran, Libya, and North Korea by Pakistan's nuclear scientist A.Q. Khan, Dubai was named as a key transfer point for Khan's shipments of nuclear components. Two Dubai-based companies were apparently involved in transshipping components: SMB Computers and Gulf Technical Industries.⁵ On April 7, 2004, the Administration sanctioned a UAE firm, Elmstone Service and Trading FZE, for allegedly selling weapons of mass destruction-related technology to Iran, under the Iran-Syria Non-Proliferation Act (P.L. 106-178). In June 2006, the Bureau of Industry and Security (BIS) released a general order imposing a license requirement on Mayrow General Trading Company and related enterprises in the UAE. This was done after Mayrow was implicated in the transshipment of electronic components and devices capable of being used to construct improvised explosive devices (IED) used in Iraq and Afghanistan.⁶ In February 2007 the Administration threatened to form a new category of control called "Destinations of Diversion Control" with UAE as the intended designee country, and P.L. 111-195 sets up a provision for a category of countries similar to that, which would be sanctioned (restrictions on dual use U.S. exports) for a determination of non-cooperation. Earlier, in September 2007, the FNC headed off U.S. penalties by adopting a law strengthening export controls (April 2007). In September 2007, the UAE used the new law to shut down 40 foreign and UAE firms allegedly involved in dual use exports to Iran and other countries. However, UAE officials publicly acknowledged that the UAE's application of this law is still evolving. On July 22, 2010, Deputy Assistant Secretary of State for International Security and Nonproliferation Vann Van Diepen testified before the House Foreign Affairs Committee (Subcommittee on Terrorism, Nonproliferation and Trade) that the UAE is augmenting the staff of the office that implements the 2007 law. He added that the UAE's enforcement bodies—customs, law enforcement, and intelligence services—are functioning to that end.⁷

Still, allegations recur periodically. In January 2009, the Institute for Science and International Security issued a report entitled "Iranian Entities' Illicit Military Procurement Networks,"

⁵ Milhollin, Gary and Kelly Motz. "Nukes 'R' US." *New York Times* op.ed. March 4, 2004.

⁶ BIS, "General Order Concerning Mayrow General Trading and Related Enterprises," 71 *Federal Register* 107, June 5, 2006.

⁷ Testimony of Mr. Vann Van Diepen before the House Foreign Affairs Committee. July 22, 2010.

published January 12, 2009. The report asserts that Iran has used UAE companies to obtain technology from U.S. suppliers, and that the components obtained have been used to construct improvised explosive devices (IEDs) shipped by Iran to militants in Iraq and Afghanistan. Other UAE companies the report alleges were involved in this network included not only Mayrow but also Majidco Micro Electronics, Micatic General Trading, and Talinx Electronics.

The issue of leakage of technology has sometimes caused U.S. criticism or questioning of UAE investment deals. In December 2008 some members of Congress called for a review by the inter-agency “Committee on Foreign Investment in the United States” (CFIUS) of a proposed joint venture between Advanced Micro Devices and Advanced Technology Investment Co. of Abu Dhabi for the potential for technology transfers. In February 2006, CFIUS approved the takeover by the Dubai-owned “Dubai Ports World” company of a British firm that manages six U.S. port facilities. Members, concerned that the takeover might weaken U.S. port security, opposed it in P.L. 109-234, causing the company to divest assets involved in U.S. port operations (divestment completed in late 2006 to AIG Global Investments). Little opposition was expressed to a September 2007 Borse Dubai plan to take a 20% stake in the NASDAQ stock market, or to a November 2007 investment of \$7.5 billion in Citigroup by the Abu Dhabi Investment Authority (ADIA), which manages excess oil revenues estimated at over \$500 billion.

Nuclear Agreement

It is the concern about the leakage of technology to Iran, via the UAE, that underpins much of the concern about a U.S.-UAE agreement, signed January 15, 2009, to help the UAE develop a nuclear power program. The agreement, which was revised slightly and signed again by the Obama Administration on May 21, 2009 (and submitted to Congress that day), would be subject to conditions specified in Section 123 of the Atomic Energy Act of 1954 [42 U.S.C. 2153(b)], and was subject to congressional approval (in the form of passage of a joint resolution of approval or non-passage of a joint resolution of disapproval within 90 days of continuous legislative session following the May 21 submission). In the 111th Congress, concerns were encapsulated in H.R. 364, which would require the President to certify that the UAE has taken a number of steps to stop illicit trade with Iran before any agreement would take effect. However, several congressional resolutions of approval of the agreement (S.J.Res. 18 and H.J.Res. 60) have been introduced, whereas one resolution of disapproval (H.J.Res. 55) was introduced. No measure blocking the agreement was enacted, and the “1-2-3 Agreement” entered into force on December 17, 2009. See CRS Report R40344, *The United Arab Emirates Nuclear Program and Proposed U.S. Nuclear Cooperation*, by Christopher M. Blanchard and Paul K. Kerr

Foreign Policy and Defense Cooperation With the United States

Following the 1991 Gulf War to oust Iraqi forces from Kuwait, the UAE determined that it needed a closer security relationship with the United States. The UAE did not fear a direct threat from Saddam Hussein’s Iraq, which is at the north end of the Persian Gulf, but it primarily sought to deter and balance out Iranian power, which remains the primary UAE concern.

Security Cooperation With the United States

The UAE may be emerging as a lynchpin of U.S. strategy to defend the Gulf, despite the small size of the UAE armed forces (about 50,000). The Iraqi invasion of Kuwait in August 1990 prompted the UAE to enter into substantial defense cooperation with the United States. The framework for U.S.-UAE defense cooperation is a July 25, 1994, bilateral defense pact, the text of which is classified, including a “status of forces agreement” (SOFA). Under the pact, during the years of U.S. “containment” of Iraq (1991-2003), the UAE allowed U.S. equipment pre-positioning and U.S. warship visits at its large Jebel Ali port, capable of handling aircraft carriers, and it permitted the upgrading of airfields in the UAE that were used for U.S. combat support flights during Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom (OIF).⁸ About 1,800 U.S. forces, mostly Air Force, are in UAE, up from 800 before OIF; they use Al Dhafra air base (mostly KC-10 refueling) and naval facilities at Fujairah to support U.S. operations in Iraq and Afghanistan, even though UAE officials say that OIF benefitted Iran strategically.

Suggesting it wants to broaden its defense relations, in January 2008 the UAE signed an agreement with French President Nicolas Sarkozy to allow a French military presence. The facilities were inaugurated during a visit by Sarkozy to UAE on May 27, 2009, and include (1) a 900-foot section of the Zayid Port for use by the French navy; (2) an installation at Dhafra Air Base to be used by France’s air force; and (3) a barracks at an Abu Dhabi military camp that will house about 400 French military personnel. On the other hand, in October 2010, the UAE reportedly threatened to ask Canada to evacuate a UAE base, Camp Mirage, used by Canada as a staging point for its forces to deploy to Afghanistan, when Canada refused additional landing slots in Canada for Emirates Air.⁹ The two countries reportedly agreed to try to negotiate a solution to the mutual concerns.

Relations With Iran

The UAE remains highly wary of Iran’s ambitions and powers, but it has sought to reach out to Iran’s government and deny Iran any justification for aggression or adverse action against the UAE. Commercial ties between the two are extensive and relatively free of complaints by either side and, as discussed above, these Iran-UAE ties have caused U.S. concerns about leakage of key dual-use technology to Iran and to U.S.-UAE measures to limit such leakage.

Aside from trying to limit technology leakage to Iran via UAE, the United States has enlisted the UAE in a multilateral effort to stiffen international sanctions on Iran, in part by alleviating the concerns of China (a permanent U.N. Security Council member) about its oil supplies. The Obama Administration has encouraged the UAE and other oil exporters to offer to boost oil supplies to China to compensate for any loss of imports from Iran that may result from China’s cooperation against Iran.¹⁰ In early October 2010, the UAE government directed its banks to fully comply with the restrictions on dealing with Iranian banks outlined in U.N. Security Council Resolution 1929, adopted June 9, 2010. The move caused a 15% drop in the value of Iran’s

⁸ Jaffe, Greg. “U.S. Rushes to Upgrade Base for Attack Aircraft.” *Wall Street Journal*, March 14, 2003.

⁹ Chase, Steven and Brent Jang. “UAE Threatens to Kick Canada Out of Covert Military Base Camp Mirage.” *Toronto Globe and Mail*, October 8, 2010.

¹⁰ Solomon, Jay. “U.S. Enlists Oil to Sway Beijing’s Stance on Tehran.” *Wall Street Journal*, October 20, 2009.

currency, the rial. The UAE is also a key participant in U.S. efforts to build a missile defense shield for the Gulf, in order to deter or contain Iran, as noted below. In October 2009, Foreign Minister Abdullah bin Zayid was uncharacteristically public in expressing support for “political and diplomatic pressure on Iran to stop it from acquiring nuclear technology.” The statements were made at a joint news conference with visiting NATO Secretary General Anders Fogh Rasmussen. The 2010 GCC summit, held in Abu Dhabi and concluded December 7, 2010, called for a peaceful resolution of the Iran nuclear issue, although expressing “utmost concern” about Iran’s program. This latter comment appears to support press reports and UAE statements in 2010 that reflect GCC backing for more aggressive U.S. action to set back Iran’s program.

Some Iranian actions may account for the UAE’s strategic closeness to the United States and other Western powers. UAE fears of Iran have been elevated since April 1992, when Iran asserted complete control of the largely uninhabited Persian Gulf island of Abu Musa, which it and the UAE shared under a 1971 bilateral agreement. (In 1971, Iran, then ruled by the U.S.-backed Shah, seized two other islands, Greater and Lesser Tunb, from the emirate of Ras al-Khaymah, as well as part of Abu Musa from the emirate of Sharjah.) In October 2008, the UAE and Iran signed an agreement to establish a joint commission to resolve the dispute; that agreement came two months after the UAE protested Iran’s opening in August 2008 of administrative and maritime security offices on Abu Musa. Iran has allowed Sharjah to open power and water desalination facilities on the island. The 2010 GCC summit in Abu Dhabi, referenced above, nodded to UAE concerns by demanding Iran return the UAE islands. The United States is concerned about Iran’s physical control over the islands, but takes no position on the legal sovereignty of the islands.

The UAE, particularly Abu Dhabi, has long feared that the large Iranian-origin community in Dubai emirate (estimated at 400,000 persons) could pose a “fifth column” threat to UAE stability. Illustrating the UAE’s attempts to avoid antagonizing Iran, in May 2007, Iranian President Mahmoud Ahmadinejad was permitted to hold a rally for Iranian expatriates in Dubai when he made the first high-level visit to UAE since UAE independence in 1971. Still, reflecting the underlying tensions and volatility of UAE-Iran relations, the two countries issued mutual recriminations in January 2009 over the UAE decision in late 2008 to begin fingerprinting Iranian visitors to UAE.

Cooperation on Iraq

Aside from allowing U.S. use of UAE military facilities, the UAE has undertaken several initiatives to support U.S. efforts to stabilize Iraq since the fall of Saddam Hussein. The UAE has provided facilities for Germany to train Iraqi police. It pledged \$215 million for Iraq reconstruction but has provided the funds not in cash but in the form of humanitarian contributions. Some of the funds were used to rebuild hospitals in Iraq and to provide medical treatment to Iraqi children in the UAE. Agreeing with the U.S. view that Sunni Arab states need to engage the Shiite-dominated government in Baghdad, in June 2008, the UAE appointed an Ambassador to Iraq, the first Arab country to do so. The following month it wrote off \$7 billion (including interest) in Iraqi debt. Abu Dhabi Crown Prince Shaykh Mohammad bin Zayid visited Iraq in October 2008. The UAE has tended to defer to Saudi Arabia in its efforts to encourage inclusion of high profile Sunni Arabs in new Iraqi government being formed in late 2010.

Cooperation on Afghanistan and Pakistan

In addition to placing some of its military facilities at U.S. and allied disposal for use in Afghanistan (and Iraq), the UAE is assisting the U.S. and international mission to stabilize Afghanistan. Despite the small size of its military force, a 250-person contingent of UAE troops has been serving in Afghanistan since 2004. The UAE forces, the only Arab combat forces in Afghanistan, are operating in the restive southern part of Afghanistan, particularly Uruzgan Province, where they appear to be welcomed by the Muslim population there.

The UAE has pledged a total of \$323 million in economic aid for Afghanistan since the fall of the Taliban. Among the projects funded with UAE aid include “Zayed University,” a college serving over 6,000 Afghan students per year; six medical clinics; a major hospital with a capacity of 7,000 patients; the building of “Zayed City” that houses 200 Afghan families displaced by violence; 160 drinking wells; and 38 mosques.¹¹

In related aid for U.S. regional policy, Abu Dhabi hosted the November 2008 meeting of the “Friends of Pakistan” donors group that is attempting to help Pakistan through its financial difficulties. The UAE provided about \$100 million to aid victims of a major earthquake in Pakistan in October 2005. The UAE also has appointed a direct counterpart to the Obama Administration’s Special Representative for Afghanistan and Pakistan, Ambassador Richard Holbrooke.

U.S. and Other Arms Sales

The UAE views arms purchases from the United States as enhancing the U.S. commitment to UAE security. The United States views these sales as a means to enhance the U.S.-led security architecture for the Gulf in which the Gulf partners take on increased responsibilities. In 2009, the UAE bought about \$18 billion worth of U.S. military equipment, according to June 16, 2010, testimony by CENTCOM Commander General David Petraeus. Until 2008, the most significant buy was the March 2000 purchase of 80 U.S. F-16 aircraft, equipped with the Advanced Medium Range Air to Air Missile (AMRAAM) and the HARM (High Speed Anti-Radiation Missile), a deal exceeding \$8 billion. Congress did not try to block the aircraft sale, but some members questioned the AMRAAM as an introduction of the weapon into the Gulf. Among other sales with the potential to enhance the UAE’s offensive capability, a sale of High Mobility Artillery Rocket Systems (HIMARS) and Army Tactical Missile Systems (ATACMs), valued at about \$750 million, notified on September 21, 2006.

More recent sales to UAE, some with offensive potential, have been in concert with the U.S.-led “Gulf Security Dialogue,” intended to help the Gulf states contain Iran. The most significant is the Terminal High Altitude Air Defense System (THAAD), the first sale ever of that sophisticated missile defense system (notified September 9, 2008, valued at about \$7 billion). The main manufacturer, Lockheed Martin, said in June 2010 that a firm agreement might be signed in the next few months. Among the most significant other recent sales are the advanced Patriot anti-missile systems (PAC-3, up to \$9 billion value, notified December 4, 2007) and kits for the Joint Direct Attack Munition (JDAM) kits (\$326 million value, notified January 3, 2008). Also notified on September 9, 2008, were sales to UAE of a surface launched AMRAAM (\$445 million value) and vehicle mounted “Stinger” anti-aircraft systems (\$737 million value). In conjunction with the

¹¹ Information provided to CRS by the UAE Embassy in Washington, D.C. December 2009.

international defense exhibit in Abu Dhabi in March 2009, the UAE signed agreements with Boeing Co. and Lockheed Martin Corp. to buy \$3 billion worth of military transport aircraft (C-17 and C-130, respectively). On November 4, 2010, the Defense Security Cooperation Agency notified Congress of two potential sales: \$140 million worth of ATACMs (see above) and associated support; and a possible \$5 billion worth of AH-64 Apache helicopters (30 helicopters, remanufactured to Block III configuration).¹²

The United States is in competition with France for further aircraft sales. France is hoping that, as part of the facilities basing agreement discussed above, the UAE will buy about 60 Rafale combat aircraft, which could be valued at about \$8 billion. The UAE has already bought 380 French-made Leclerc tanks and 60 Mirage 2000 warplanes. However, the United States is hoping to sell the UAE additional F-16's, according to press reports.

UAE Provision of Foreign Aid

The UAE asserts that it has provided billions of dollars in international aid through its government and through funds controlled by royal family members and other elites. Among the foreign aid activities reported are \$100 million to aid victims of the December 2004 tsunami in the Indian Ocean and \$100 million to help victims of Hurricane Katrina in the United States.

Other Regional Issues

On most regional issues, including the Arab-Israeli dispute, the UAE does not follow U.S. policy strictly or uncritically, but it does generally agree with most U.S. assessments of regional threats, and it supports U.S. diplomatic efforts to resolve regional issues. On the Arab-Israeli issue, the UAE wants to ensure that any settlement between Israel and the Palestinians is "just," and it sometimes criticizes the United States as excessively supportive of Israel. However, the UAE has not advanced its own far-reaching proposals to resolve the Israeli-Palestinian dispute, as has King Abdullah of Saudi Arabia. It also tends to defer to Saudi Arabia rather than try to emerge as a major direct mediator between Palestinian factions, as have Saudi Arabia, Qatar, and Egypt.

The UAE's steps to support U.S. policy on the Middle East peace process have tended to come in concert with other Gulf states. In 1994 the UAE joined with the other Gulf monarchies in ending enforcement of the Arab League's boycott of companies doing business with Israel and on companies that deal with companies that do business with Israel. The UAE formally bans direct trade with Israel, although UAE companies reportedly do business with Israeli firms and some Israeli diplomats have attended multilateral meetings in the UAE. Unlike Qatar and Oman, the UAE did not host multilateral Arab-Israeli working groups on regional issues when those talks took place during 1994-1998. In 2007, the UAE joined a "quartet" of Arab states (the others are Saudi Arabia, Egypt, and Jordan) to assist U.S. diplomacy on Israeli-Palestinian issues. In December 2008 and January 2009, the UAE government permitted street demonstrations in support of Hamas during its war with Israel. In February 2009, the UAE denied a visa to an Israeli tennis player who was to participate in a Dubai tennis tournament, earning the UAE some international criticism.

¹² DSCA transmittal number 10-52. <http://www.dsca.mil>

The UAE has expressed concerns about the plight of the Palestinians, and has put its considerable financial resources to work on their behalf. One major UAE action has been to fund a housing project in Rafah, in the Gaza Strip, called “Shaykh Khalifa City.” It also has given economic aid to Lebanon, perhaps in part to counter Iranian and Syrian influence there—an objective that UAE shares with Saudi Arabia and the other GCC states.

The UAE cooperates with virtually all GCC-wide development and economic initiatives, although some past border disputes and other disagreements with Saudi Arabia occasionally flare. A 1974 “Treaty of Jeddah” with Saudi Arabia formalized Saudi access to the Persian Gulf via a corridor running through UAE, in return for UAE gaining formal control of villages in the Buraymi oasis area.

Economic Issues

The UAE, a member of the World Trade Organization (WTO), has developed a free market economy. Partly as a result, the UAE, particularly Dubai emirate, whose strategy was built on attracting investment to construct large numbers of opulent and futuristic projects, built up a “bubble” in real estate prices and other assets. The UAE, particularly Dubai, has therefore been hurt significantly by the global economic downturn. Abu Dhabi has 80% of the federation’s proven oil reserves of about 100 billion barrels, enough for over 100 years of exports at the current export rate of about 2.7 million barrels per day (mbd). Small amounts go to the United States. Abu Dhabi has been hurt by the fall in oil prices, but its reliance on oil has given it a certain financial cushion, relative to Dubai, which relies almost entirely on trade, financial products, investment in big projects such as the “Atlantis Hotel Dubai,” and tourism.

The federal government has used some of the country’s purported \$700 billion “sovereign wealth fund” to inject into Dubai banks to help them ride out the downturn. In December 2009, Abu Dhabi pledged about \$5 billion in additional funds (beyond \$5 billion committed in November 2009) to help Dubai World (major real estate developer) avert outright default on about \$26 billion in debt repayment. The severe recession has resulted in widespread layoffs in UAE and the departure of thousands of foreign workers, who often have abandoned cars and properties that were financed, leaving UAE banks with additional non-performing loans.¹³ During 2008-2009, real estate prices fell about 40%-50% from the 2007 levels. The downturn in real estate prices has also affected regional investors, such as those in Afghanistan, who bought into high-end housing such as on the Palm Islands. The fall in value nearly caused a collapse of a major Afghan bank, Kabul Bank, in September 2010; the bank had made large loans to prominent Afghan power brokers and officials to buy property there.

On November 15, 2004, the Administration notified Congress it had begun negotiating a free trade agreement (FTA) with the UAE. Several rounds of talks were held prior to the June 2007 expiration of Administration “trade promotion authority,” but progress was been halting.

The UAE is seeking to diversify its energy production and consumption to plan for the day when the developed world is no longer reliant on oil imports. While well endowed with oil, the UAE lacks non-associated natural gas. It has entered into a deal with neighboring gas exporter Qatar to

¹³ Worth, Robert. “Laid Off Foreigners Flee as Once Booming Dubai Spirals Down.” *New York Times*, February 12, 2008.

construct pipeline that will bring Qatari gas to UAE (Dolphin project). The nuclear power program, discussed above, is also intended to address the country's fast growing energy consumption, although the global economic downturn has also served that purpose, at least temporarily.

The UAE, which is considered wealthy, receives small amounts of U.S. assistance. The primary purpose of the aid is to make the UAE eligible for advice and programming to improve its border security and export controls, as shown below.

Table I. Recent U.S.Aid to UAE

	FY2007	FY2008	FY2009	FY2010 (est)	FY2011 (request)
NADR (Nonproliferation, Anti-Terrorism, Demining, and Related) - Counterterrorism Programs (ATA)	\$1.409 million		\$725,000		
NADR-Combating WMD	\$172,000	\$300,000	\$200,000	\$230,000	\$230,000
International Military Education and Training (IMET)				\$10,000	\$10,000
Totals	\$1.581 million	\$300,000	\$925,000	\$240,000	\$240,000

Author Contact Information

Kenneth Katzman
Specialist in Middle Eastern Affairs
kkatzman@crs.loc.gov, 7-7612